Business

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ON THE FRONT PAGE

Drowning in debt

North Texans have too much debt, but so does the rest of the country and the world. Today we begin an in-depth examination of the effects of debt and why it's so difficult to tackle.

Ethics consultant is a master of apologies

Messages from umpire, BP exec highlight the nuances of remorse

By CHERYL HALL
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Lee Taft is loath to compare the apology made by a distraught umpire for his flawed call in an otherwise perfect baseball game with the slick one pitched by BP CEO Tony Hayward, in a TV commercial that reportedly cost $50 million for a Washington, D.C., public affairs firm to produce and air.

"We love baseball," says Taft, an ethicist, "but missing a call in baseball isn't comparable to creating the largest oil spill in history."

Yet the two situations offer worthy juxtaposition, says Taft, who plans to compare the two in a course he's teaching this summer at the University of Texas in Austin.

Umpire Jim Joyce was forthright, contrite and said he hasn't forgiven himself, Taft says. On the other hand, BP's apology fails on a number of fronts.

"Hayward says it is 'a tragedy

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Lee Taft of Taft Solutions believes the customer is not always right.

INSIDE: Taft's steps for making an apology and meaning it. **6D**

Lee Taft's message is about contrition.

As a nation, he fears we've slipped into "moral flabbiness," readily dishing out and accepting lame apologies.

The 60-year-old principal of Taft Solutions is an expert in knowing when, why and how to express real remorse and how to make amends — even when it might get you sued.

The ethics consultant also teaches when to forgive, when to reconcile and when to press for more accountability.

"Apologies are being conflated," Taft says. "We don't know the distinction between an apology that seeks to repair and an apology that is just a social grace or damage control."

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Think BP's so-sorry commercial, he says.

"They must have thought we could be manipulated — that we, as a public, have slid so backwards morally that we would accept this superficial expression of remorse in lieu of an authentic act of accountability."

For two decades, Taft was a big-time personal injury attorney who fought to make doctors and hospitals pay for their mistakes. But in 1996, he left law for Harvard Divinity School.

Now Taft doesn't sue people for their mistakes; he helps them see the light.

"If I have caused you harm that was preventable — if I've screwed up — then I want, and need, to repent," he says.

Taft points to a *New England Journal of Medicine* study that shows that doctors who've made missteps are at higher risk for addiction, suicide or burnout.

"The silence typically shrouding medical mistakes exacerbates that suffering," he

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EXECUTIVE COMPENSATION

Area CEOs cash in but lose out

Falling compensation in stock and options more than offsets higher salaries, bonuses in '09

By PAMELA YIP
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Top executives at the 100 largest companies in the Dallas-Fort Worth area saw their base salaries and bonuses go up in 2009 — but their overall compensation drop.

That's largely because companies appeared to favor cash bonuses over stock awards in 2009 because of market volatility.

"Cash was king in the sense that that was the largest increase year over year," said Joshua Henke, managing director of Longnecker & Associates, a Houston-based consulting firm that compiles annual executive compensation data for *The Dallas Morning News*. "Companies have pulled back ... on the amount that was granted for long-term incentives."

The main reason that long-term incentives — stock and option awards — were down last year is the depressed stock prices at the beginning of 2009, said Shane Krantz, senior consultant at Longnecker.

"Most companies would have to grant twice as many shares in 2009 to give their CEO the same value in long-term incentives they had the previous year," he said. "Companies are concerned with dilution to shareholders and ensuring there are enough shares in the company's stock plan for future awards to employees."

Krantz said the market was very volatile halfway through 2009, though it ended on a positive note, with the Standard & Poor's 500-stock index up 23.5 percent for the year.

According to Longnecker's study, the median base salary for the area's top execs increased 8.53 percent last year to $714,292, while the median bonus jumped 22.44 percent to $774,392. The median total cash received — salary plus any bonuses — jumped 16.11 percent to $1.33 million.

But the median total direct compensation dropped 7.32 percent to $2.23 million. That's because of a 12.76 percent plummet in stock and option awards, or long-term incentives.

That didn't surprise the Longnecker consultants.

"We expected long-term incentives to drop," Krantz said. "Considering that's the largest part of compensation, we expected total comp to fall just a little bit."

If you look at the average change in compensation, the executives fared slightly better.

The average total direct

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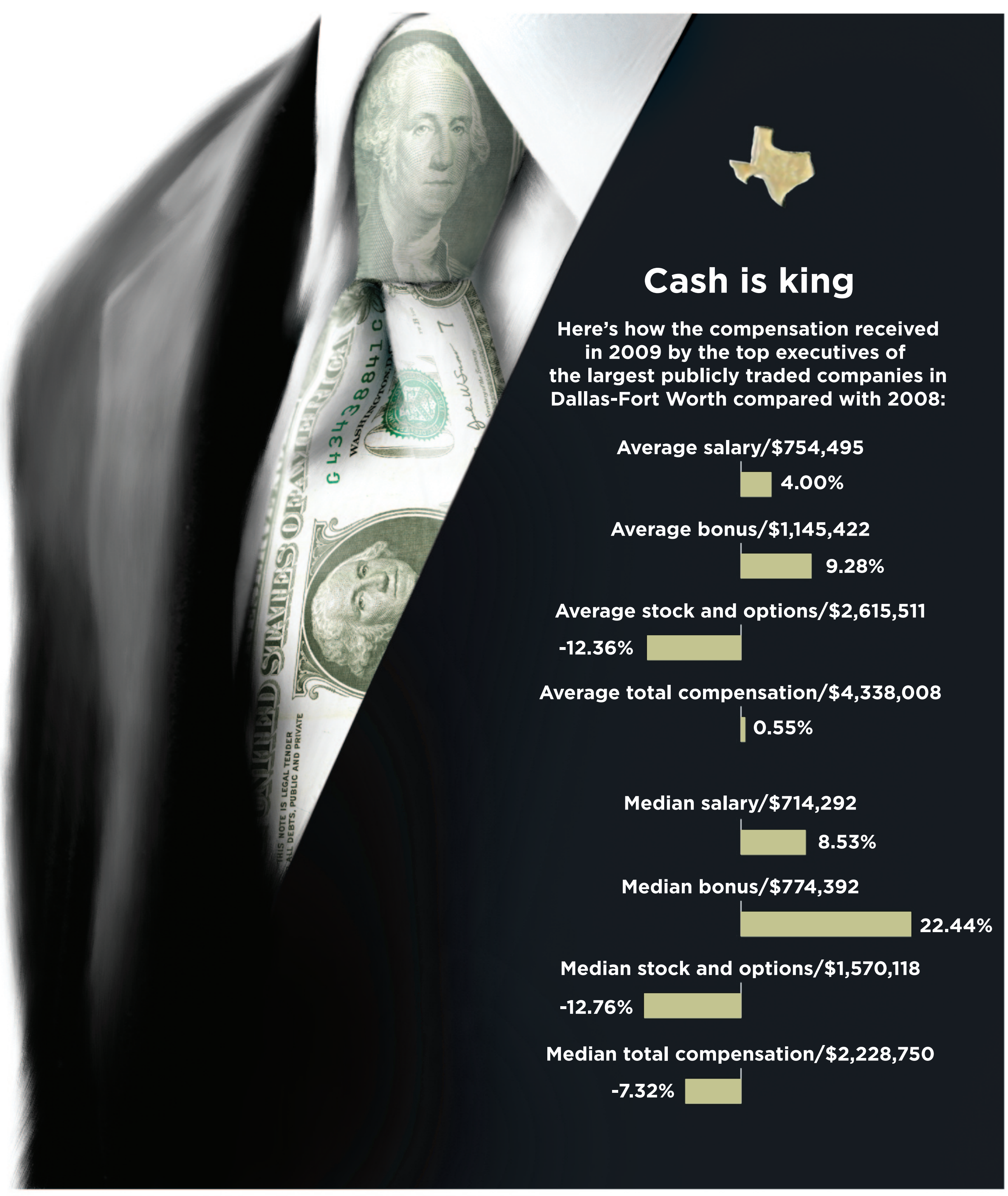
FIND A SEARCHABLE DATABASE on the compensation of top Dallas-Fort Worth executives in 2009. **dallasnews.com/business**

INSIDE: See who made the lists. **4D**



SOURCE: Longnecker & Associates — MICHAEL HOGUE/Staff Artist

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Debunking the myths of Social Security

Social Security, the most important social program in America, is also the least understood. Many retirees depend so much on Social Security that any discussion provokes anger. The very young are the opposite — they dismiss it with a cavalier shrug, presuming that it won't be there for them.

Most people know so little about Social Security that they fall victim to all-or-nothing thinking, one of the most common cognitive errors we make as human beings. This is an observation, not a judgment.

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So, after setting off alarm bells for lots of readers last week, I'd like to provide some factual grounding in the realities of Social Security.

Here are the basics.

■ It is the largest single source of income for retirees. Loss of the benefit would be catastrophic for most retirees. Even very affluent retirees would find their standard of living badly damaged if they no longer received benefits. A recent report from the Employee Benefit Research Institute found that Social Security accounted for 39.8 percent of income for those 65 and over.

■ The program has lots of money coming in. Employment tax collections in fiscal 2009 were $654 billion and accounted for 31 percent of all federal revenue.

■ Employment tax collections exceeded benefit payments from 1983 to the present. During those 27 years, the surplus was spent by presidents of both parties and by Democrat-controlled Congresses and Republican-controlled Congresses. The weasels took our retirement savings and gave us IOUs from the U.S. Treasury. The

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LEARN MORE about options for modernizing Social Security. **dallasnews.com/extra**

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CHERYL HALL

Ethics consultant is master of apologies

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says. "They've set out to heal and done harm instead. It eats them alive."

Disclosure and making amends can help heal all parties involved.

Some companies believe the customer is always right, and that's wrong, Taft says. This invites unethical behavior from customers and attorneys hoping to gain from nuisance lawsuits.

The first step is to find out whether there is really blame to assume.

If there is fault, you have to be willing to accept the legal liability that comes with that, he says.

"What companies aren't paying attention to, nor are their lawyers, is that a true apology actually has a positive litigation effect."

Guiding DPD

That was the case in 2004, when Madeleine Johnson, then Dallas city attorney, hired Taft to help handle the Police Department's fake drug scandal.

A Dallas narcotics squad arrested and jailed illegal immigrants for possessing controlled substances. But the "drugs" turned out to be billiard chalk planted by police informants.

Under Taft's guidance, the Dallas City Council issued a no-holds-barred apology to the victims. It publicly instructed the city manager and the chief of police to take corrective action to assure that such a travesty could never be repeated. And it took these actions knowing that victims could use this as evidence.

The city, which spent nearly $6 million to settle all claims, actually saved untold millions of dollars that Dallas might have been forced to pay by runaway jury awards, says Johnson, now general counsel for Southwest Airlines Co. "It removed the outrage factor."

But just as important, she adds, was the closure it brought to the victims and the city. "There was a cathartic effect of stepping up to the plate, accepting responsibility and apologizing to the victims."

She says Taft understood the dynamics in a way no one else could. "He's an extraordinary human being who can focus in on the legal issues, but at the same time understand the moral need to address the victims and their needs."

Taft assumed this unusual expertise after finding that he couldn't help his personal injury clients understand why terrible things had happened to them. He thought divinity school would give him answers that law school hadn't.

His graduate thesis at Harvard was about the role apologies play in law. His research showed that lawyers used apologies to get plaintiffs to accept less or go away altogether. They did not use them to make real amends.

Apologies need to be authentic, not manipulative, he wrote in his edgy thesis. Yale University published it in 2000 as an essay entitled, "Apology Subverted."

Hospital help

Taft was surprised when the medical community began coming to him for guidance.

In 2007, Taft helped Stanford University Medical Center design and implement a plan to deal with unexpected medical outcomes, which may or may not involve mistakes. The first thing it does is take care of the patient and then find out what really happened.

If Stanford finds fault, it owns up and fixes any systemic problems.

Yes, one goal is to reduce costs from litigation, says Jeff Driver, Stanford's executive vice president and chief risk officer. But what sets its initiative apart from other so-called disclose and offer programs is its attention on the patient's understanding, reconciliation and healing, Driver says.

"These patient-centered tenets are Lee's unique contributions. They are intimately woven throughout Stanford's program, thereby setting our compass firmly on our patient's well-being."

Taft points to a pediatric hospital that went the extra human mile in its repentance.

An infant was given undiluted saline in an IV and died. It turned out that the diluted and undiluted bottles were similarly colored and sitting on the same pharmacy shelf.

The hospital apologized and agreed to a financial settlement.

Then it fixed its systems. The saline bottles are different colors and are stored at different ends of the pharmacy, and a series of sign-offs is required before they're distributed.

And there was a final touch of beauty.

"The parents were worried that because their child was an infant, no one would remember her," Taft says. "So the hospital named a room after their child and created a naming ceremony."

AT A GLANCE

How to make an authentic apology

Before apologizing, find out if there is something to apologize for, says Lee Taft, who helps companies, organizations and individuals admit their mistakes even when the confession creates lawsuit liability.

Here are his steps for making an apology and meaning it:

Stabilize the situation. Give the patient necessary care. Fix the customer's problem.

Investigate. Find out what really happened.

Communicate. Tell people what you're doing, when you'll report back, and then do it.

Disclose. If there is no fault, there's no reason to apologize. If facts show fault:

Admit the mistakes and apologize.

Create a plan to repair the harm.

Change the system so this doesn't happen again.

Taft also warns against accepting a knee-jerk apology because you want easy closure or don't want to appear unyielding.

"Remember that there is difference between forgiveness and reconciliation," he says. "I can forgive you and choose not to return to relationship with you. But would you resume a relationship with someone who had caused you great harm and had not accounted for the harm caused?"

He doesn't think you should.

Cheryl Hall

Expert says BP executive's apology really wasn't

Continued from Page 1D

that never should have happened.' What does that mean?" Taft says. "Should it never have happened because of what BP did or did not do? Or is it a 'never should have happened' like a natural disaster, like a hurricane or a tornado?

"He promotes the fact that this is the largest cleanup effort in history. Well, why is that? Is that because this is the largest oil spill in history?

TONY HAYWARD

"He doesn't offer an explanation. What specifically did BP and/or others do that caused this?

"BP and Hayward should have acknowledged that no words or apology can adequately respond to the disaster.

"They should not have cast this as an apology. They should have cast this as a communication. They should have told us what they know so far about what happened, what they are doing to learn more and what the status of the correction is.

"They should have outlined how they are living up to their promises of being forthright in communicating, expediting the payment of claims, creating a pool for future payments, and how they are actively learning from this horrendous debacle.

"What if they'd really started telling the truth, which is coming out anyway?"

And Taft poses a final question.

"What do you think Hayward would say if he were asked the question posed to Joyce: 'Have you forgiven yourself?' "

Taft hopes he hasn't.

SCOTT BURNS

Social Security still secure

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Social Security trust fund is now nominally worth $2.3 trillion. The only problem: The Treasury has no money to make good on its bonds because our government is already running a gigantic deficit.

■ And, no, the money could not have been invested elsewhere. First, it would have overwhelmed the private investment markets. Also, holding the obligations of Fannie Mae, Freddie Mac or private companies such as AIG wouldn't have been better.

■ Paying down existing federal debt is the only way that extra $2.3 trillion would have benefited future retirees. This would have required that the regular budget of the United States was balanced, an event that has occurred only three times in the last 50 years: in 1960, 1999 and 2000. Then the employment tax surplus could have paid off our public debt, creating room for future borrowing.

■ The problem is bigger than any single politician. It was not caused by George W. Bush and the Iraq war. He simply made an existing problem more difficult by spending more and taxing less.

■ We can't blame it all on the politicians. When Social Security was created in 1935, the life expectancy at birth of American men was about 58 years. It has been growing ever since and hit 74.9 years in 2005. It costs more to live longer. That's why the 1983 "reform" that was supposed to fund Social Security for 75 years is underfunded by more than $5 trillion only 27 years later.

■ We can solve the entire problem by reducing our life expectancy. If we lived (and died) as they do in Russia, Social Security would have no problems. But most people would prefer to die at 78 rather than 66. We have a problem of success, not failure.

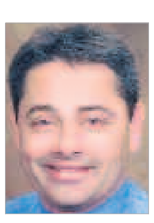
At 78.24 years, the United States ranks 49th in the world for life expectancy, according to the CIA World Book. That's well behind the 79.16 years of Britain or the 81 years of France, where they have the terrible socialized medicine that costs half as much as ours.

■ It is still good to defer taking Social Security benefits. How can that be? Simple. Even under the worst-case scenario — that nothing is done to improve program funding — tax revenue will still cover 76 percent of benefits as far in the future as 2037.

Can your corporate pension do that? Not likely. Most workers no longer have pensions. Those who do should worry about their funding. Waiting to collect a larger Social Security check is a wash for the program (they'll pay out more money for fewer years), but it gives workers a larger benefit income. That larger benefit check will also help people avoid spending their life savings while interest rates are held low to benefit the too-big-to-fail-banks.

Scott Burns is a syndicated columnist and a principal of the Plano-based investment firm AssetBuilder Inc. E-mail questions to scott@scottburns.com.

EXECUTIVE CHANGES



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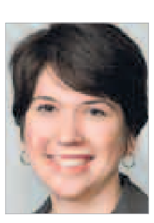

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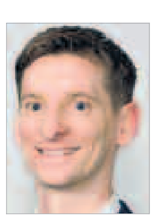

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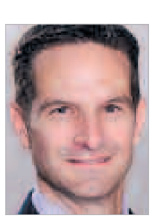

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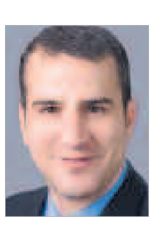

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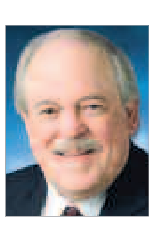

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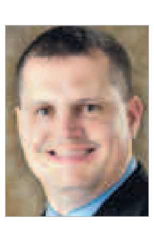

JON KROEHLER

KYLE B. BEATY

ASSOCIA named Dr. **Jed Friend** vice president of organizational development.

CORGAN named **Renee Sneed** principal. **Andrew Kirchhoff, Brett Sumrow** and **Dan Drennan** were named vice presidents.

CURRAN TOMKO TARSKI LLP named **Jeffrey Ansley** partner.

FIRST PRIVATE BANK OF TEXAS elected **Steve Eppig** to its board of directors.

HKS INC. named **Roy Gunsolus** director of health care sustainability.

HYATT REGENCY DALLAS AT REUNION named **Fred Euler** general manager.

JASTER-QUINTANILLA named **R. Rene Avila** principal.

JUSTIN BRANDS named **Charles Schmalbach** vice president of sales administration.

RYAN named **Fred Goodwin** director of the Dallas office.

SHIELD ENGINEERING GROUP named **Jon Kroehler** chief business development officer.

STRONG & WILLCOX LLP named **Patricia A. Nolan** partner.

TATUM named **Greg L. Walther** partner.

WINSTEAD PC named **Kyle B. Beaty** shareholder.

Submissions to Executive Changes must be for vice president or higher, senior vice president for financial institutions. Photos must be in JPEG format, at least 4 inches wide and 200 dpi. E-mail to execs@dallasnews.com